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Brazil

Poultry and Products

Semi-Annual Report

2004

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Report Highlights:

Post Revised production estimates for 2003 and 2004 to include data obtained from the trade for 2003, and to reflect new opportunities open for Brazilian broiler exports in 2004 in view of animal health factors, such as BSE in the United States and the Avian Influenza in Asia, and in the United States. Changes were also made in production and exports for turkey.

Includes PSD Changes: Yes
Includes Trade Matrix: No
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Executive Summary

The Brazilian economy is expected to improve in 2004 compared to 2003 which was characterized by stagnant economic growth, high rates of unemployment, higher inflation, soaring interest rates, tumbling investments, and drop in real income. The current forecast calls for an economic growth of 3 to 4 percent, with inflation and unemployment rates dropping from last year, which should improve consumer purchasing power.

These optimistic economic indicators combined with new opportunities in the export market derived from animal health problems in other parts of the world will likely contribute to increases in production and exports of poultry meat to record levels in 2004.

Production

Post projects an increase in broiler production in 2004 to reach 8.1 million metric tons, up 6 percent from the record production level of 7.6 million metric tons last year. The increase in production reflects the following factors: a) higher employment rate and consumer purchasing power as the economy improves; b) additional funds in the federal budget for social programs to fight hunger and improve nutritional levels of the poor; c) booming export market in view of the Avian Influenza crisis in Asia and the impact of the BSE case in the United States, and most recently the Avian Influenza case in Delaware. These events have soared the share prices of Brazil's top poultry exporters, such as Sadia, Perdigao, and Seara; d) likely exports of broiler meat to new markets in Asia, such as Korea; and, e) higher corn and soybean crop production with little change in production costs will improve profit margins for poultry producers.

Review of 2003. Post revised broiler production in 2003 to reflect final production data obtained from the trade. In 2003, broiler production reached 7.6 million metric tons, up nearly 3 percent from the previous year. According to our trade sources, production in 2003 was slightly higher than initially estimated and it was mostly driven by booming chicken exports, since domestic consumption declined due the high rate of unemployment combined with another drop in real income, and higher chicken retail prices.

Broiler producers also increased their profit margins in 2003. The average price received by producers for chicken (16-wks), per kilogram, live weight, increased by 29 percent in 2003, compared to the previous year, and was about nine percent above the average production cost. This reflects abundant supplies of soybeans and corn available to poultry producers.

Trade

Post projects broiler exports to increase by an average of 15 percent in 2004 from the record volume of 1,960 metric tons exported in 2003. Whole broiler exports are estimated to increase by 17 percent, while broiler parts by 13 percent. Our new estimate reflects the following factors that encourage broiler exports: a) favorable exchange rate (an average of R\$3.00 to US\$1.00); b) appreciation of the Euro currency which is boosting poultry exports to the European Union; c) current problems faced by Thailand in view of the Avian Influenza outbreaks in Asia; d) the impact of the BSE and Avian Influenza cases in the United States; e) on-going quota negotiations with Russia; f) sanitary negotiations with new markets in Asia, such as Korea, and, g) continued aggressive market promotion efforts, mostly in new markets.

Final export data for 2003 shows that total exports of broilers (whole and parts) reached 1.9 million metric tons, an increase of nearly 21 percent from the previous year. Broiler exports in 2003 were up due the following factors: favorable exchange rate, appreciation of the Euro

currency in relation to the Brazilian real, which boosted exports to the European Union, and increased exports and market development activities to new markets. In 2003, Brazil shipped poultry meat to 121 markets compared to 101 markets in 2002, which helped to offset a drop in exports to Russia of 38 percent for whole broilers, and 28 percent for chicken parts.

Whole broiler exports in 2003 increased by 18 percent and accounted for 41 percent of the total volume of broiler exported. Saudi Arabia, United Arab Emirates, and Russia accounted for over 50 percent of total volume exported, but other destinations, such as Yemen, Kuwait, Oman, Angola, and Turkey increased their share of total Brazilian exports. Broiler parts also increased in 2003 by 21 percent and now accounts for 57 percent of total broiler exports. The drop of over 21 percent in broiler parts exports to Russia was offset by a significant increase in exports to Hong Kong (over 40 percent), South Africa (over 68 percent), Singapore (over 46 percent), Romania and Czech republic (over 300 percent), and Angola nearly 400 percent increase. Brazil also increased its broiler parts exports to the European Union due to the appreciation of the Euro relative to the Brazilian real.

The value of broiler exports also increased in 2003 by 36 percent boosted by an increase of 15 percent in the average export price of whole broiler exports, which reached US\$773.49 per metric ton, FOB. The value of broiler parts exports increased by 24 percent, but the average export price increased only by 2 percent over 2002.

Animal Health Update

Brazil established in 2002 a program to monitor migration birds from the South Pole, Argentina, and Paraguay. In 2003, this program was improved to monitor and test birds with potential to carry the Avian Influenza virus. The program is a joint effort of the Ministry of Agriculture, Ministry of Health, and Ministry of the Environment.

Since the outbreaks of Avian Influenza in Asia, the Brazilian government has activated the Sectorial Chamber for Poultry and Swine to develop preventive measures against the possibility of Avian Influenza be introduced in Brazil. In addition to the animal health requirements, which are part of the National Poultry Health Program, the following preventive measures have been already adopted: tightening controls at ports and airports for tourists and visitors arriving from Asia, prohibition to import paddy rice from Asian countries, prohibitions for visitors from Asia to visit Brazilian poultry farms, and new restrictive import requirements for imported poultry genetics.

PSD Table, Poultry, Meat, Broiler

PSD Table Country Brazil Commodity Poultry, Meat, Broiler (1000 MT)(MIL HEAD)							
	2002	Revised	2003	Estimate	2004	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		01/2002		01/2003		01/2004	MM/YYYY
Inventory (Reference)	30	30	31	31	32	32	(MIL HEAD)
Slaughter (Reference)	3685	3819	3740	3907	3870	3985	(MIL HEAD)
Beginning Stocks	0	0	0	0	0	0	(1000 MT)
Production	7449	7449	7560	7645	7825	8105	(1000 MT)
Whole, Imports	0	0	0	0	0	0	(1000 MT)
Parts, Imports	0	0	0	0	0	0	(1000 MT)
Intra EC Imports	0	0	0	0	0	0	(1000 MT)
Other Imports	0	0	0	0	0	0	(1000 MT)
TOTAL Imports	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	7449	7449	7560	7645	7825	8105	(1000 MT)
Whole, Exports	674	674	672	798	675	958	(1000 MT)
Parts, Exports	916	926	1051	1162	1125	1297	(1000 MT)
Intra EC Exports	0	0	0	0	0	0	(1000 MT)
Other Exports	0	0	0	0	0	0	(1000 MT)
TOTAL Exports	1590	1600	1723	1960	1800	2255	(1000 MT)
Human Consumption	5859	5849	5837	5685	6025	5850	(1000 MT)
Other Use, Losses	0	0	0	0	0	0	(1000 MT)
Total Dom. Consumption	5859	5849	5837	5685	6025	5850	(1000 MT)
TOTAL Use	7449	7449	7560	7645	7825	8105	(1000 MT)
Ending Stocks	0	0	0	0	0	0	(1000 MT)
TOTAL DISTRIBUTION	7449	7449	7560	7645	7825	8105	(1000 MT)
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0	(1000 MT)

PSD Table, Poultry, Meat, Turkey

PSD Table Country Brazil Commodity Poultry, Meat, Turkey (1000 MT) (MIL HEAD)							
	2002	Revised	2003	Estimate	2004	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		01/2002		01/2003		01/2004	MM/YYYY
Inventory (Reference)	0	25	0	27	0	29	(MIL HEAD)
Slaughter (Reference)	0	0	0	0	0	0	(MIL HEAD)
Beginning Stocks	0	0	0	0	0	0	(1000 MT)
Production	182	182	191	200	210	215	(1000 MT)
Whole, Imports	0	0	0	0	0	0	(1000 MT)
Parts, Imports	0	0	0	0	0	0	(1000 MT)
Intra EC Imports	0	0	0	0	0	0	(1000 MT)
Other Imports	0	0	0	0	0	0	(1000 MT)
TOTAL Imports	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	182	182	191	200	210	215	(1000 MT)
Whole, Exports	3	7	3	7	3	8	(1000 MT)
Parts, Exports	87	83	91	104	107	117	(1000 MT)
Intra EC Exports	0	0	0	0	0	0	(1000 MT)
Other Exports	0	0	0	0	0	0	(1000 MT)
TOTAL Exports	90	90	94	111	110	125	(1000 MT)
Human Consumption	92	92	97	89	100	90	(1000 MT)
Other Use, Losses	0	0	0	0	0	0	(1000 MT)
Total Dom. Consumption	92	92	97	89	100	90	(1000 MT)
TOTAL Use	182	182	191	200	210	215	(1000 MT)
Ending Stocks	0	0	0	0	0	0	(1000 MT)
TOTAL DISTRIBUTION	182	182	191	200	210	215	(1000 MT)
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0	(1000 MT)